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Taxation of Farms in Missouri

C. O. BRANNEN and S. D. GROMER

ABSTRACT.—From the information now available it appears that the Missouri farm tax problem is serious. Land taxes in Missouri increased more than 75 per cent during the five years 1919-1923. During the same period agriculture passed from prosperity to depression, perhaps the worst in the history of the State. The returns from land ownership thus fell at the same time that taxes on land ownership were rising. During most of this period the urban part of our population has been prosperous and the urban standard of living was being improved. It was already higher than the farm standard before the war, and this difference has become still more accentuated. From the standpoints of ability to pay, high school facilities, and standard of living, the farmers' taxes are high, and the lack of a modern economic and equitable tax system in Missouri has contributed to this general situation. The trend of taxation during the five years immediately preceding 1923 indicates the need of early action to forestall the development of more serious difficulties in the next few years. It is certain that the services which the State renders to its citizens will continue to expand and improve in the future as they have in the past, and this growth is equally sure to place an increasingly large proportion of the total Missouri tax bill upon farms and farmers under the present system of taxation. Three steps each of which will tend to counteract such a growth of inequalities in taxation have been outlined in this report. First, property taxes may be made to reflect more fully the variations in the earning capacity of the classes of property upon which the tax falls. Second, a large proportion of all taxes may be obtained from other sources, thus offsetting in some measure the inequalities which develop under the property tax. Third, the state central government may assume financial responsibilities for a greater part of all government costs, thus relieving the local districts, which depend almost exclusively on the property tax for their tax revenues. Action must soon be taken upon some, if not all, of the lines indicated if the farmers of Missouri are to avoid the unduly heavy tax burdens which farmers in many other states have experienced during the last few years.

Farm taxes have increased in Missouri just as they have in all other States. The increase in population and wealth and the expansion in public service is continually making new demands on the public purse. These demands in the long run must be met by taxation.

In Missouri, the rural population has keenly felt the increase in public expenditures. In 1881 the average tax on an acre of land was 8 cents. In 1924 the average tax was 40 cents (Table 1). Over half of this increase has taken place since 1919. While in earlier years the rise in tax per acre was accompanied by rising land values, tax increases from 1919 until recently have been attended by falling land values and reduced farm earnings.

Whether the farmer is worse off by this increase in taxes will depend upon whether his income has increased correspondingly, taking into account the services he obtains and the degree to which tax payments have

*The investigation reported here was made jointly by the United States Department of Agriculture and the Missouri Agricultural Experiment Station, Mr. Brannen representing the former and Mr. Gromer the latter. Credit is due R. Wayne Newton of the United States Department of Agriculture for assistance in the final stage of preparing the report.

supplanted expenses which he formerly met directly from his own pocket. Whether taxation is more burdensome to farmers than to other classes will depend upon the comparative relation of the tax to the incomes of different classes of tax-payers. The purpose of the present study is to throw some light upon these two questions, although it is not possible in a limited survey to answer all the questions pertinent to the problem of farm taxation.

TABLE 1.—ESTIMATED TAX PER ACRE IN MISSOURI, 1881-1924.

Year	1881	1893	1900	1910	1913	1917	1919	1922	1923	1924
Tax* per acre (cents)	08	09	07†	13	15	17	23	37	40	40

*Buchanan, Jackson and St. Louis Counties are omitted.
†Township taxes not included.

The report is based on field investigations, and studies of census data and public records conducted by the Missouri Agriculture Experiment station in cooperation with the United States Department of Agriculture. The field of investigations included a survey of rented farms and rented city property in several sections of the State.

FARM TAXES LARGELY PROPERTY TAXES

The system of taxation in Missouri has from the beginning centered around the general property tax. This tax alone yielded 85 per cent of all state and local revenues derived from taxes and licenses in the year 1890. In 1922 it still yielded 83.2 per cent of similar revenues.

The great bulk of all taxes paid by farmers are property taxes. Aside from a small poll tax many farmers make no other direct contributions to the state and local governments.

TABLE 2.—MISSOURI REVENUES FROM TAXES AND SIMILAR SOURCES, 1890 AND 1922*.

Type of Revenue	1922		1890	
	Amount	Per cent	Amount	Per cent
	Dollars in thousands		*Dollars in thousands*	
General Property Taxes	79,077	83.22	16,053	84.96
Poll Taxes	259	.27	------	------
Income Taxes	2,568	2.70	------	------
Inheritance Taxes	1,375	1.45	------	------
Other Special Taxes	2,055	2.16	184	.98
Licenses	9,691	10.20	2,658	14.06
Total	95,025	100.00	18,895	100.00

*Census of Wealth, Debt, and Taxation, 1890 and 1922.
†Poll taxes included, property taxes for local units estimated by Census.

The general property tax is not a personal tax levied on each individual according to his ability to pay. It is an impersonal tax levied on property, and it stands as a charge against the property. The tax levied on any particular piece of property must be paid from the earnings of that property before it can yield a profit to its owner. In considering the effect of the property tax upon Missouri agriculture it is of interest, therefore, to determine to what extent the property tax absorbs the earnings of farm property.

Farm lands are especially suited for study in this regard because they represent the great bulk of taxable farm property values, and because the earnings of lands may be determined with considerably greater accuracy than can those of other classes of farm property.

For the purpose of the present study a survey was made of rented farms in four counties of Missouri. Gentry County was selected to represent the northwest corn belt, Boone and Audrain the central general farming belt, and New Madrid the southeastern area. In these counties field agents surveyed selected rented farms to determine the value of real estate, the rent received, assessed valuation and taxes paid, and other data bearing on taxes and farm real estate earnings for a period of years.

PROPERTY TAXES IN RELATION TO NET RENT OF FARM REAL ESTATE

Real estate taxes, state and local, on 256 farms in the three areas surveyed absorbed an average of one-fifth of net farm rents in 1923*. In that year the highest tax in percentage of net rent, 23.8 per cent, was found in Gentry County, and the lowest, 14.7 per cent, in Boone and Audrain Counties. In New Madrid County 22.3 per cent of the net rent, before deducting taxes, was required in the payment of the real estate tax, as shown in Table 3.

When measured in percentage of farm rents the taxes of 1923 were just 100 per cent higher than those of 1919. The greater part of this increase took place from 1919 to 1921. In fact, the tax of 1921, according to the measurement used, was practically double that of the preceding year, 1920. A slight reduction in the tax, according to data obtained, occurred in 1922, but the upward trend both in tax per acre and tax in relation to net rent was resumed in 1923.

*Deductions from gross rent were: (1) Annual cost of depreciation and repairs, at 3 per cent of building values; (2) cost of insurance risk, whether carried by owner or by a company at the average mutual insurance rates on full value of buildings; (3) cost of depreciation and repairs at 8 per cent of the value of wire fences; (4) depreciation of operating equipment furnished by the landowner, at 6 per cent of value of equipment supplied; and (5) the full cost of threshing, etc., borne by the owner.

Additions to buildings and new fences were treated as capital investments as of the year when erected, and no deductions from rent were made because of them, except to the extent that they increased the usual 3 and 8 per cent deduction for repairs and depreciations. Costs for installation of drainage systems and for fertilizers were also treated as capital investments, and therefore no deductions were made from current rents when these payments were made by landlords. The cost of maintaining tiling or ditching was found to be chiefly a labor item.

TABLE 3.—GENERAL PROPERTY TAX AND NET RENT PER ACRE ON SELECTED FARMS IN MISSOURI, 1919-1923.

	Year	Number of farms	Number of acres	Net rent per acre (before deducting taxes)	Tax per acre	Per cent of net rent paid in taxes (before deducting taxes)
Audrain and Boone Counties	1919	------	------	------	------	------
	1920	6	1,269	3.85	.35	9.1
	1921	17	2,772	3.03	.60	19.8
	1922	31	5,578	4.36	.60	13.8
	1923	76	14,993	3.61	.53	14.7
5-Yr. Average				3.71	.52	14.0
Gentry County	1919	61	11,213	4.19	.38	9.1
	1920	63	11,442	4.04	.59	14.6
	1921	67	12,082	3.26	.81	24.8
	1922	72	13,166	3.14	.62	19.7
	1923	73	13,242	3.03	.72	23.8
5-Yr. Average				3.53	.62	17.6
New Madrid County	1919	12	2,427	5.23	.56	10.7
	1920	13	2,627	5.06	.71	14.0
	1921	19	3,862	4.77	1.02	21.4
	1922	42	8,045	4.57	.97	21.2
	1923	107	21,030	4.53	1.01	22.3
5-Yr. Average				4.83	.85	17.6
Summary* of the four counties	1919	73	13,640	4.71	.47	10.0
	1920	82	15,338	4.32	.55	12.7
	1921	103	18,716	3.69	.81	22.0
	1922	145	26,789	4.02	.73	18.2
	1923	256	49,265	3.73	.75	20.1
5-Yr. Average				4.09	.66	16.1

*The rent and tax per acre given in the summary is the average of averages shown in the three groups of counties.

While Table 3 indicates that real estate taxes have increased much more rapidly than farm rents since 1919, it would seem from Table 4 that there was no similar tendency in a part of the State, at least, before 1919. Table 4 is based on a survey of cash-rented farms located in 23 counties in the northwestern part of the state.* The ratio of tax to rent declined on those northwestern Missouri farms during the period from 1913 to 1918. During this period net cash rents rose from $3.09 to $3.83 per acre. while the average tax per acre varied but little. Beginning with 1919 a less favorable relation between taxes and rents was found.

*The counties considered were: Andrew, Atchison, Buchanan, Caldwell, Carroll, Chariton, Clay, Clinton, Daviess, De Kalb, Gentry, Grundy, Harrison, Holt, Lafayette, Linn, Mercer, Nodaway, Platte, Putnam, Saline, Sullivan, and Worth.

TABLE 4.—TAXES IN RELATION TO RENT OF FARM REAL ESTATE, NORTHWESTERN COUNTIES OF MISSOURI, 1913-1922.

Year	Number of farms	Number of acres	Average tax per acre	Average rent per acre	Relation of taxes to cash rent
			Dollars	*Dollars*	*per cent*
1913	21	4,328	.35	3.09	11.3
1914	25	4,955	.33	2.95	11.1
1915	29	5,987	.32	3.12	10.2
1916	37	6,933	.32	3.31	9.7
1917	49	8,867	.35	3.54	9.9
1918	58	10,299	.36	3.83	9.3
1919	86	14,279	.48	4.66	10.4
1920	103	17,724	.53	4.68	11.4
1921	141	23,231	.71	4.42	16.0
1922	206	33,403	.73	4.26	17.1

THE PROBLEM OF ASSESSMENT AND EQUALIZATION

Perhaps no other problem has commanded more attention with less satisfying results than that of assessment and equalization under the general property tax system. Since the amount of the tax which will fall upon any piece or class of property is determined by the value at which it is assessed, this problem is of importance in a study of farm taxes.

The general property tax in Missouri rests mainly on real estate (Table 5). In 1924 real estate had 70.4 per cent of the total assessed valuation of all property, and in 1890 it had 67.6 per cent. During the 35 years the range has been between 63 and 72 per cent. All personal property valuation, including merchants' and manufacturers' stocks, represented 21.1 per cent of the total in 1924 and 25.6 per cent in 1890. The valuation of railroad, telegraph and telephone property has ranged from 7 to 11 per cent of the total during the 35-year period, the 1924 percentage being 8.5. In spite of the marked industrial development and the consequent increase in the value of personal property, the percentage of valuation in peronalty has declined the last few years, while that for real estate has increased.

Farm real estate in 1890 showed about equally with urban real estate in the total assessed valuation, each having about one-third of the total. For a long period previous to 1921 the assessed valuation of city real estate ran ahead of rural lands, but in 1921 and since, the valuation of urban and rural real estate has been about the same.

The impossibility of reaching the different classes of property in assessment with equal efficiency is an inherent weakness of the general property tax. This weakness works to the peculiar disadvantage of farmers. It has never been possible to list for taxation a large part of the wealth of certain classes of business. Whether notes, bonds, stocks and other intangible wealth reach the tax roll at all depends upon the willingness of the taxpayer to submit to assessment. Whether certain other business property, such as merchants' and manufacturers' stocks, are adequately returned for taxation mainly depends also on the declaration ot the owner. The State Tax Commission of Missouri estimates that the value of intangible wealth is equal, at least, to the value of real estate, but that the amount returned for taxation amounts to only 6.7 per cent of that returned for realestate.*.

TABLE 5.—ASSESSED VALUATION OF RURAL AND URBAN REAL ESTATE, PERSONAL PROPERTY AND PUBLIC UTILITIES, IN PERCENTAGE OF THE TOTAL VALUATION; 1890-1924.

Year	Total Valuation of all property. (Thousands of Dollars)	Rural Lands (per cent)	City lots (per cent)	All personalty (per cent)	Railroad, bridge telegraph, telephone (per cent)
1924	4,665,083	33.2	37.2	21.1	8.5
1923	4,591,215	35.3	35.5	20.9	8.3
1922	4,479,850	36.7	35.0	19.5	8.8
1921	4,925,179	35.9	32.1	24.0	8.0
1920	2,930,242	25.0	38.8	28.2	8.0
1919	2,713,151	25.1	38.1	28.1	8.7
1918	2,277,449	24.4	39.6	26.7	9.3
1917	1,952,948	25.5	42.9	20.8	10.8
1916	2,029,751	24.4	40.5	25.2	9.9
1915	1,975,236	24.3	40.5	25.3	9.9
1914	1,947F535	24.1	39.9	25.9	10.1
1913	1,884,001	24.3	40.0	25.7	10.0
1912	1,860,199	24.1	39.5	26.5	9.9
1911	1,799,946	24.3	38.8	26.8	10.1
1910	1,760,961	24.6	38.1	27.3	10.0
1909	1,662,950	25.2	38.5	26.1	10.2
1908	1,623,873	25.9	38.1	25.9	10.1
1907	1,553,360	25.5	38.1	26.0	10.4
1906	1,492,829	25.2	37.9	26.9	10.0
1905	1,410,983	25.8	37.0	27.4	9.8
1904	1,377,996	26.2	36.8	27.5	9.5
1903	1,312,335	26.4	37.5	26.5	9.6
1902	1,230,127	26.9	39.1	24.2	9.8
1901	1,190,108	27.3	38.5	24.7	9.5
1900	1,156,236	27.8	39.8	23.5	8.9
1899	1,152,130	28.4	38.8	23.9	8.9
1898	1,101,516	28.7	39.1	24.1	8.1
1897	1,071,501	28.7	39.6	24.5	7.2
1896	1,074,602	28.9	39.0	25.2	6.9
1895	1,060,795	28.9	88.4	25.7	7.0
1894	1,046.523	29.3	37.1	26.9	6.7
1893	972,903	28.3	36.5	28.5	6.7
1892	976,068	28.2	36.3	29.0	6.5
1891	934,980	29.2	35.2	28.9	6.7
1890	884,526	33.0	34.6	25.6	6.8

*Fourth Biennial Report of the State Tax Commission, p. 18.

The situation is different with the farmer. The great bulk of the farmer's wealth is in the form of real estate, which may be listed from official records and the tax levied without reference to its owner. Livestock, the class of farm property next in importance to real estate, is also almost equally susceptible of official enumeration. While there is always the possibility of a degree of evasion in assessment, the possibility is comparatively slight where real estate and physical personal property constitute, as in the case of the farmer, practically all of the wealth the taxpayer possesses.

Finding and listing property for taxation, however, is only half of the difficulty the tax official encounters. The other half is in fixing comparable valuations on the different items and types of property. The constitution of Missouri provides that all property subject to taxation shall be taxed in proportion to its value. Succeeding legislation has prescribed that "the assessor shall value and assess all property on the assessor's books according to its true value in cash at the time of the assessment."* The aim in Missouri, as in most of the states, is thus to fix the valuation of property for tax purposes according to its sale value in cash.

So far as the relative burden of taxation on different classes of property is concerned, it is immaterial whether property is assessed at its full value or at only a part of its full value as long as the percentage of full valuation is uniform for all classes. In 1921 the total assessed valuation of rural real estate was increased 141 per cent over the amount for the previous year; whereas the total assessed valuation of all other classes of property in the state was increased but 44 per cent. These increases were due in the main to the adoption by the State of the policy of equalizing assessments on the basis of full cash value as provided by law.

In the absence of information covering classes of taxable property other than urban and city real estate, it is impossible to say to what extent the attempt to assess all property on the basis of full value has been successful. However, some indication of the effect of the change on the two classes of real estate may be had from information supplied by the owners of the rented farms previously discussed, and from data obtained from owners of rented urban real estate in the same counties.

Owners of both classes of property were asked to estimate the value of their holdings in the years 1919 to 1923 and these estimates were then compared with the assessed valuations of the properties for the same years. It seems from these figures that in 1919 and 1920, the years before the State adopted the policy of full value assessments, farms had the advantage of decidedly lower valuations than urban properties (Table 6). The average assessed valuations for farms in the two years, respectively,

*Revised Statute of 1879, Sec. 6711, Art. 2, Ch. 145.

in percentage of owners' estimated of true value were 14.6 and 18.0 per cent, while for urban real estate the averages were 54.6 and 56.8 per cent. With the assessment of 1921, however, the valuation for farms advanced to 69.3 per cent of the estimated value while that of urban real estate rose to 64.5 per cent. In 1923 the assessed valuation of farms, was actually higher than the estimated value, while that for urban real estate, 64.6 per cent, was practically the same as that reported for 1921.

TABLE 6.—RELATION OF ASSESSED VALUATION TO OWNERS ESTIMATES OF SALE VALUE. RURAL AND URBAN REAL ESTATE COMPARED, 1919-1923. (New Madrid, Gentry, Audrain and Boone Counties.)

Year	Farm Real Estate		City Real Estate		Per cent, rural assessment ratio of urban assessment ratio
	No. Farms	Ratio, assessed to owners' valuation	No. Properties	Ratio, assessed to owners' valuation	
		per cent		*per cent*	
1919	73	14.6	19	54.6	26.7
1920	82	18.0	36	56.8	31.7
1921	103	69.3	41	64.5	107.4
1922	145	68.7	61	70.5	97.4
1923	256	105.1	68	64.6	162.7

For the year 1924 actual sales records in six Missouri counties were compared with assessments in force at the time the properties were sold. According to these records, the assessed valuation of 246 farms was 62.7 per cent of the recorded selling price in that year, while the assessed valuation of more than 340 parcels of urban real estate was 55.4 per cent of the recorded sale price (Table 7).

TABLE 7.—RELATION OF ASSESSED VALUATION TO SELLING PRICE OF RURAL AND URBAN REAL ESTATE COMPARED, RECORDED SALES IN SIX MISSOURI COUNTIES, 1924*

County	Rural Real Estate		Urban Real Estate	
	Transfers (Number)	Rate of Assessment (per cent)	Transfers (Number)	Rate of Assessment (per cent)
Atchison	53	59.1	38	47.8
Cass	14	46.9	15	44.0
Linn	71	62.9	200	50.2
Pettis	61	71.1	65	78.6
Pike	7	113.8	5	76.6
Ralls	40	59.9	17	59.1
6 Counties	246	62.7	340	55.4

*Sales records supplied by the Missouri Farm Bureau Federation.

On the whole it seems from the information at hand that while the State fell short of its aim to assess real estate at true cash value, it was successful in bringing a nearer approach to equality in the relative percentage of full value assessed, when urban and rural land holdings are compared. The limited data for 1923 indicates that farms were considerably over-assessed then, but the figures based on actual sales in 1924 indicate that reasonable degree of equality of assessments existed in five of the six counties in that year, although farms were assessed at a somewhat higher rate than city property on the average.

While the evidence at hand points toward a fairly satisfactory equalization of assessments on the legal basis of sale value, between the two classes of real estate, at least, this does not necessarily mean that there now is actual equality in taxation as between city and country real property.

It has already been noted that the property tax is based on the selling value of property, but is to be paid out of the earnings of productive property before a profit can be realized. If the annual rate of return from all classes of property were approximately the same there would be no cause of inequalities on this account, as long as assessments were made at a uniform percentage of sale value. However, this, unfortunately, is not the case.

Real estate, particularly farm real estate, is noted for the low annual rate of return realized on the selling price. For this reason, if all property were listed for taxation and the assessed valuation of all classes of property were uniform in proportion to sale value, the annual tax based on sale value would still be inequitable.

"The value to be assigned to a given tract of land depends upon (1) the income which the land yields at a given time, (2) the anticipated increases or decreases in this income, and (3) the rate of capitalization of such income."*

This means that a man will pay more for property with low present earnings, if he believes those earnings will increase in the future, than he would pay if he did not expect such future increases, and the amount he will pay in excess of what the present returns would justify depends upon the degree to which he thinks future earnings will exceed those of the present. If there is but little reason to expect future earnings to vary from those now yielded, values will be based largely on present earnings, but if future earnings give promise of marked increases or decreases, the importance of present returns as a determinant of values will be reduced.

There are many factors that may be taken to indicate the future earnings of farms, but one of the most important of these is the consideration of past experience. Department of Agriculture statistics show that there was a steady increase in farm rents from around 1900 to 1920 in

*Taxation of Rented Farms, 1919, A Preliminary Report of the U. S. Department of Agriculture, March, 1925, p. 7.

many of the North Central States.* These data also show that farm land values increased at a still greater rate, so that the ratio of rents to values fell during the period. Thus, 69 cash-rented Iowa farms yielded an average gross rent of $3.29 per acre in 1900, a return of 7.7 per cent on the investment. In 1920 these same farms paid their owners an average of $8.19, gross, but this amount was only 3.6 per cent on the value of that year. While other factors, particularly lower interest rates, no doubt accounted for part of this increased value, it is undoubtedly true that one of the chief causes was the long series of years in which these farms yielded a constantly increasing annual return to their owners, thus encouraging the belief that similar increases were to be expected in the future.

While the study referred to did not include the State of Missouri, it is a matter of common knowledge that farm rents in Missouri increased between 1900 and 1920, as they did in other North Central States, and that land values also rose after having held comparatively even from 1885 to 1900. Because of this long experience it is to be expected that Missouri farmers came to sell more and more on the basis of anticipated future increases in earnings and less and less on the basis of actual returns. This seems to have been true so far as the estimates of value by owners of the farms studied in Missouri are concerned. When the net rents of these farms are capitalized at conservative rates, it is found that only 45.7 per cent of farm values were attributable to annual earnings on the average for the five years 1919-1923. But 47.0 per cent of 1919 values were based on the net returns of that year. Even in 1923, after four years in which earnings had been consistently lower than in 1919, only 42.1 per cent of values were assignable to rents actually realized (Table 8).

TABLE 8.—RELATION OF CAPITALIZED NET RENT TO OWNERS' ESTIMATES OF VALUE.† FARM AND URBAN REAL ESTATE IN 4 MISSOURI COUNTIES; 1919-1923

Year	Rural		Urban	
	Number of Farms	Per cent, capitalized net rent of owners' estimated value	Number of Properties	Per cent, capitalized net rent of owners' estimated value
1919	73	47.0	19	101.9
1920	82	42.8	36	29.1
1921	103	42.6	41	67.7
1922	145	53.8	61	110.0
1923	256	42.1	68	112.3
Five-year average		45.7		84.2

*Dept. Bul. No. 1224, "Relation of Land Income to Land Value," by C. R. Chambers.
†Rents Capitalized at 6 per cent.

Urban real estate, on the other hand, showed that a considerably higher percentage of owners' estimates of sale value was based on actual returns. The average percentage for the five years was 84.2 per cent; for 1919 it was 101.9, and for 1923 it was 112.3 per cent (Table 8).

The conclusion to be drawn from these figures, assuming the rate of capitalization used to be approximately correct, is that current earnings are of less importance as a factor in farm values than in urban values. It appears that the selling price of farms is based largely on expected increases in income and other considerations that do not reflect current earnings. In so far as future incomes are over or under-estimated, the property will be over- or under-capitalized. The tax based on sale value, however, does not allow for this difference as between different classes of property. Strict adherence to the sale value standard will cause over capitalized property, of which farm real estate appears to stand out as the leading class at this time, to bear a high tax in relation to its earning power, while under-capitalized property will bear a lower tax in terms of realized returns.

This defect of the general property tax may be remedied, in part at least, by one or both of two means. The current earning capacity of property may be given greater consideration in fixing taxable values of all classes of property, or the importance of the general property tax in our state and local fiscal systems may be decreased so that such inequalities as exist under it will be of less importance than at present.

RELATION OF STATE AND LOCAL METHODS OF FINANCE TO THE FARM TAX PROBLEM

It is evident from the preceding discussion that farm real estate, under the general property tax system, is likely to bear a disproportionate share of the tax. The degree of inequality, however, may be greater or less according to the methods of State and local finance; that is, whether revenues for the support of the various functions of government are raised by means of property taxes or by other means, or whether the tax is levied by local governments or by the State.

Although the volume of State and local revenues derived from special taxes, licenses and the like have greatly increased in Missouri during the last 35 years, their growth has been no greater than the growth of general property taxation. In the year 1890 the Missouri property is estimated to have produced 85.0 per cent of all state and local revenues from taxes and licenses. In 1922, the property tax yield represented 83.2 per cent of all state and local receipts from taxes, licenses and permits (Table 2).

But there has been a noticeable change in the type and use of supplementary revenues during the period under consideration. In the earlier years liquor licenses produced a substantial sum and this was divided among the various local jurisdictions. More recently, the auto license and a variety of special taxes have been introduced, but the bulk of these revenues have been turned over to the state central goverment. No other supplementary form of revenue has been devised as yet to replace the liquor license tax as a means of relieving the local property tax.

As a result of these changes, the property tax, which in 1890 supplied 94.3 per cent of state revenues from taxes, licenses and the like, produced only 30.2 per cent of such revenues in 1922. For the local districts, however, the trend has been in the opposite direction. Where property taxes accounted for 83.1 per cent of these revenues in 1890, it supplied 94.3 per cent in 1922.

TABLE 9.—MISSOURI STATE AND LOCAL REVENUES FROM TAXES AND LICENSES, BY SOURCES 1890-1922.*
(IN THOUSANDS OF DOLLARS.)

Source	State Central Government				Local Units			
	1922		1890		1922		1890	
	Amount	Per cent	Amount	Per cent	Amount	Per cent	Amount	Per cent
General Property Taxes	4.971	30.20	3,071†	94.34	74,106	94.33	12,982‡	83.01
Poll Taxes	--------	------	------	------	259	.33	------	------
Income Taxes	2,568	15.60	------	------	------	------	------	------
Inheritance Taxes	1,375	8.35	------	------	------	------	------	------
Other Special Taxes	2,007	12.20	184	5.66	48	.66	------	------
Liquor Licenses	--------	------	------	------	------	------	1,794	11.47
Other Licenses	5,539	33.65	------	------	4,152	5.28	863	5.52
Total	16,460	100.00	3,255	100.00	78,565	100.00	15,639	100.00

A clearer understanding of the changes which have taken place in the sources of revenue for the state central government may be had from Table 10, where state revenues from taxes and licenses are analyzed for 1914 and years since. During the four years immediately preceding 1918 the chief source of state revenues outside the property tax were liquor licenses, and insurance taxes. Since the advent of prohibition the State, unlike the local districts, has not reverted to the property tax but has developed new sources of revenues, chiefly the corporation franchise tax and the income tax, and besides has greatly expanded the volume of auto license tax receipts. The recent adoption of the gasoline tax will further reduce the relative importance of the property tax, although the recent reduction in the income tax rate may offset this effect, in part.

A further elimination of the statewide property taxes will tend to reduce inequalities in taxatio n that arise when properties with radically

*Census of Wealth Debt and Taxation, 1890 and 1922.
†Poll Taxes not shown separate from property taxes for 1890.
‡Local property taxes estimated by Census.

differing rates of return are taxed at an equal rate on sale value. The total possible further effect of this tendency in giving tax relief to farmers, however, is quite limited at present. Statewide property tax levies account for only a minor part of the farm tax bill. An analysis of rural property taxes in Boone County, which may be considered typical of a large number of counties in the state, shows that in 1924 only 9.9 per cent of the tax on farms was levied by the State, the remaining 90.1 per cent being levied by the county and local districts (Table 11.)

TABLE 10.—TAXES AND LICENSES COLLECTED BY THE MISSOURI STATE CENTRAL GOVERNMENT, 1914-1923.*

Y'ar	Total state Taxes and Licenses	Per Cent Derived From										
		General property tax	Corporation franchise tax	Inheritance tax	Income tax	Incorporation tax	County foreign insurance tax	Liquor license tax	Other business license	Auto license	Hunting and Fishing license	Miscellaneous
1914	6,622,972	38.6	----	6.2	----	1.4	10.5	35.7	2.2	3.6	.9	.9
1915	6,646,068	52.9	----	5.9	----	1.5	11.0	19.8	2.1	4,9	.9	.9
1916	7,074,040	48.6	----	6.3	----	5.1	10.8	19.3	1.7	6.2	.8	1.2
1917	7,709,418	51.7	----	4.7	----	4.1	10.6	18.1	2.6	5.9	.9	1.4
1918	10,464,772	32.2	11.3	8.7	1,9	1,9	8.9	19.4	1.4	13,3	.7	1.3
1920	17,564,591	34.0	13.6	8.5	18.7	1.7	7.0	.1	2.7	12.0	.7	1.0
1922	16,460,548	30.2	8.8	8.4	15.6	3.1	9.4	----	1.5	21.4	.8	.9
1923	17,740,673	33.9	7.8	6.0	16.2	1.3	9.3	----	1.6	22.2	.9	.8

TABLE 11.—DISTRIBUTION OF THE FARMER'S TAX DOLLAR IN BOONE COUNTY, MISSOURI; LEVIES OF 1924

Purpose of tax levies	State	County	Special district	All jurisdictions
	per cent	*per cent*	*per cent*	*per cent*
Administrative and general expense	2.7	25.2	----	27.9
Education	1.8	----	36.9	38.7
Highways	----	9.0	8.1	17.1
Miscellaneous	5.4†	10.9‡	----	16.3
Total	9.9	45.0	45.1	100.0

If any great change is to be made in the taxation of Boone County farms, or of farms in counties where similar conditions exist, attention must also be given to the possibilities of removing some part of the burden of local property taxation.

*Data supplied by the Bureau of the Census. Financial Statistics of States.
†Pension, soldiers' bonus and capital building levies.
‡County hospital.

Farm taxes for the support of schools, county government, and roads in Boone County amounted to 81.0 per cent of the total rural levy in 1924. Schools taxes levied by the local school districts accounted for 36.9 per cent of farm taxes, and county government costs for 25.2 per cent. Local road taxes were 17.1 per cent of the total and were levied in almost equal amounts by the county and by special road districts.

The State leaves the entire cost of county administration to be met from local taxes, but it contributes to the up keep of both the schools and the roads. The introduction of the gasoline tax is an indication that the State will assume a larger proportion of the total highway expense of the state in the future than it has in the past. But it is probable that these funds will be used largely upon those roads which form an integral part of the State highway system, so that the extent to which this tax will relieve agriculture depends upon whether future increases in local road costs will more than absorb any savings which may result from a greater degree of State support for through roads. The adoption of the present arrangement, however, safeguards the farmer to some extent from possible additional tax levies on farm property for the support of the State highway system.

TABLE 12:—COMMON SCHOOL REVENUES APPROPRIATED FROM THE STATE REVENUE FUND BY SOURCES; 1921 AND 1924

Source	State appropriation from the revenue fund			
	1921*		1924†	
	dollars	*per cent*	*dollars*	*per cent*
Income Tax	1,598,165	32.7	1,075,362	30.7
General property tax	1,109,603	22.7	782,303	22.3
Corporation franchise tax‡	987,625	20.2	573,351	16.3
Inheritance tax	409,667	8.4	426,391	12.2
Foreign insurance tax	260,768	5.4	307,235	8.8
All others	517,154	10.6	339,890	9.7
Total	4,882,982	100.0	3,504,532	100.0

*From "Facts Concerning Public Education in Missouri," June 30, 1924, Table XIX.
†From list submitted by Mr. W. W. Gibbany of the State Department of Education.
‡Including incorporation tax for 1924.

The outlook for school funds from the state government, is not nearly so bright. The policy of the State for some years has been to divert one-third of the ordinary revenues of the state into the school fund. While the recent School Survey Committee demonstrated the need of a larger State appropriation for schools, and particularly of a larger relative contribution toward the costs of education in rural districts, neither of these proposals has been acted upon up to the present.* On the contrary, state funds for educational uses seem actually to have diminished in recent years. Where $4,882,982 was turned to the common school fund out of the State's revenues for 1921, only $3,504,532 came from this source in 1924 (Table 12).

In considering the advisability of increasing the State's contribution to the schools and roads, and perhaps of affording some relief to the local districts from the costs of administration of county government, the interest of the State as a whole in the maintenance of these institutions should be held in mind.

A large part of the costs of county government, of education, and of highways, are the direct result of the State's having delegated to these local districts certain duties which are designed to benefit the whole State. The State has gone so far in its regulation of county government and of schools that it virtually establishes the minimum of costs for these institutions, and in the poorer sections of the State it may be said that these minimums are frequently so high that it is a distinct burden to maintain them wholly or almost so, at local expense.

While the state does not prescribe in such great detail the type of highways which must be maintained it is yet true that with the growth in volume of motor vehicle traffic the lowest cost of maintaining a road worthy of the name has increased greatly, and the fact that most roads of better than average quality actually function as channels for through traffic is well known.

In view of the growing value of all these services to the State as a whole, it would seem reasonable to expect the State to assume an increasing share of such expenses, thus spreading the cost over a larger group and evening up any inequalities which may exist between local units in their ability to meet such expenses locally.

To quote a recent report of investigations in another state: "The plain fact seems to be that the cost of the things which the State has delegated to the local political subdivisions has increased more rapidly than the capacity of the local revenue system to expand. As the situation now stands, it is the state and not the local revenue system which contains the most elastic elements and the greatest possibilites of increased productivity. The taxes which should be used to raise additional funds are for the most part taxes whose successful administration demands

*Report of the School Survey Committee.

that they be state rather than local taxes. The solution of the problem would seem to involve either that the state relieve the localities of certain functions which it has asked them to perform, or that the state increase very considerably the amounts which it collects in taxes and then redistributes to the localities.* In view of the preference in all of the states for local administration of many of these functions, the latter alternative appears to be the logical one to consider in Missouri.

*Report of the Special Joint Committee on Taxation and Retrenchment, of the New York Legislature, 1924.

CONCLUSIONS

From the information now available it appears that the Missouri farm tax problem is serious. Land taxes in Missouri increased more than 75 per cent during the five years 1919-1923. During the same period agriculture passed from prosperity to depression, perhaps the worst in the history of the State. The returns from land ownership thus fell at the same time that taxes on land ownership were rising.

During most of this period the urban part of our population has been prosperous and the urban standard of living was being improved. It was already higher than the farm standard before the war, and this difference has become still more accentuated. From the standpoints of ability to pay, high school facilities, and standard of living, the farmers' taxes are high, and the lack of a modern economic and equitable tax system in Missouri has contributed to this general situation.

The trend of taxation during the five years immediately preceding 1923 indicates the need of early action to forestall the development of more serious difficulties in the next few years. It is certain that the services which the State renders to its citizens will continue to expand and improve in the future as they have in the past, and this growth is equally sure to place an increasingly large proportion of the total Missouri tax bill upon farms and farmers under the present system of taxation.

Three steps each of which will tend to counteract such a growth of inequalities in taxation have been outlined in this report. First, property taxes may be made to reflect more fully the variations in the earning capacity of the classes of property upon which the tax falls. Second, a large proportion of all taxes may be obtained from other sources, thus offsetting in some measure the inequalities which develop under the property tax. Third, the state central government may assume financial responsibilites for a greater part of all government costs, thus relieving the local districts, which depend almost exclusively on the property tax for their tax revenues.

Action must soon be taken upon some, if not all, of the lines indicated if the farmers of Missouri are to avoid the unduly heavy tax burdens which farmers in many other states have experienced during the last few years.